

HARTFORD PUBLIC LIBRARY

Report on Audit of Financial Statements
For the Year Ended
December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hartford Public Library	County Van Buren
Audit Date 12-31-05	Opinion Date 1-30-06	Date Accountant Report Submitted to State: 6-22-06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

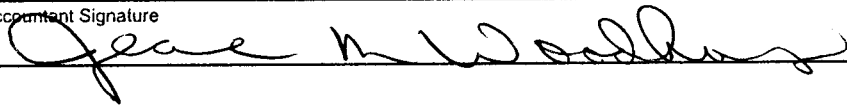
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). (Policy is incomplete.)
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.			
Street Address 303 Paw Paw Street		City Paw Paw	State MI
Accountant Signature 		ZIP 49079	Date 6-22-06

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January 30, 2006

INDEPENDENT AUDITOR'S REPORT

To the Hartford Public Library Board
Hartford, Michigan

We have audited the accompanying financial statements of Hartford Public Library as of December 31, 2004 and 2005, and for the years then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hartford Public Library, as of December 31, 2004 and 2005, or the changes in its financial position for the years then ended.

Cutting & Cutting, P.C.

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
GENERAL FUND
HARTFORD PUBLIC LIBRARY
December 31

	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$ 220,344	\$ 195,414
Taxes receivable	<u>135,902</u>	<u>126,573</u>
	\$ <u>356,246</u>	\$ <u>321,987</u>
Liabilities and Fund Balance		
Taxes payable	\$ 1,983	\$ 1,816
Deferred tax revenue	<u>135,902</u>	<u>126,573</u>
Total liabilities	137,885	128,389
Fund balance - unrestricted	<u>218,361</u>	<u>193,598</u>
	\$ <u>356,246</u>	\$ <u>321,987</u>

STATEMENT OF CHANGES IN FUND BALANCE - CASH BASIS
GENERAL FUND
HARTFORD PUBLIC LIBRARY
Year ended December 31

	<u>2005</u>	<u>2004</u>
Summary of revenues and expenditures		
Revenues	\$ 170,839	\$ 191,465
Expenditures	<u>146,076</u>	<u>151,060</u>
Excess of revenues over expenditures	24,763	40,405
Beginning fund balance	<u>193,598</u>	<u>153,193</u>
Ending fund balance	\$ <u>218,361</u>	\$ <u>193,598</u>

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENDITURES - CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
HARTFORD PUBLIC LIBRARY
Years ended December 31

	<u>2005</u>		Variance Favorable (Unfavorable)	<u>2004</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
State aid	\$ 4,000	\$ 7,707	\$ 3,707	\$ 7,785
City of Hartford taxes	43,682	39,967	(3,715)	39,507
Township of Hartford taxes	75,379	80,878	5,499	71,435
Van Buren County District Library taxes	2,000	3,007	1,007	3,419
Penal fines	35,000	33,370	(1,630)	30,227
Interest	1,100	1,482	382	1,347
Donations	1,000	1,215	215	3,015
Miscellaneous	1,500	3,213	1,713	2,130
Proceeds from Sale of Property				<u>32,600</u>
	<u>\$ 163,661</u>	<u>\$ 170,839</u>	<u>\$ 7,178</u>	<u>\$ 191,465</u>
Expenditures				
Salaries	\$ 78,500	\$ 75,294	\$ 3,206	\$ 71,416
Payroll taxes	6,500	5,760	740	5,463
Health insurance	16,561	16,545	16	13,863
Supplies	3,100	2,860	240	3,634
Professional services	5,200	4,684	516	4,477
Interest expense				986
Contracted services	1,050	1,002	48	1,799
Insurance	7,875	6,899	976	6,372
Utilities	7,500	5,991	1,509	6,203
Repairs & maintenance	8,950	5,317	3,633	997
Children's program	3,500	3,342	158	2,163
Miscellaneous	800	508	292	1,095
Conferences	1,000	840	160	753
Books, magazines and videos	16,000	14,412	1,588	11,352
Equipment/Improvements	2,625	2,622	3	3,419
Land purchase				17,068
Contingency	<u>4,500</u>		<u>4,500</u>	
	<u>\$ 163,661</u>	<u>\$ 146,076</u>	<u>\$ 17,585</u>	<u>\$ 151,060</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
HARTFORD PUBLIC LIBRARY
December 31, 2005

A. Reporting Entity

The Hartford Public Library is a District Library established by the City of Hartford and Hartford Township in April, 1965 under Act 164 of 1955, State of Michigan Law. The governing board has three members appointed by each of the two municipalities. Library services are provided to residents of the City and Township. Hartford Public Library also provides services to portions of Bangor and Keeler Townships as a result of a contracted arrangement with Van Buren County District Library and Keeler Township.

The reporting entity consists of the Hartford Public Library which is fiscally independent, relying on property taxes and penal fines for support. There are no component units that meet the criteria of GASB No. 14 for inclusion in these financial statements, such as oversight responsibility, fiscal dependency, and whether the financial statements would be misleading without it.

B. Summary of significant accounting policies

The accompanying financial statements and budget information have been prepared using the cash basis of accounting. Revenues are generally recognized when received and expenditures when they are paid.

Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

- C. The Library has not adopted GASB 34 for the years ended December 31, 2004 and 2005. Consequently Management's Discussion and Analysis, Government Wide Statements, and Infrastructure Reporting are omitted from the financial statements.

D. Property Taxes

The Library property tax is levied on December 1 on the taxable valuation of property located in the Library district as of the preceding December 31 and is due by February 14. Taxes levied by the Library are collected by the City and Township of Hartford and are periodically remitted to the Library.

The 2005 taxable valuation of the Library totaled \$84,185,461 on which 1.5786 mills were levied, raising \$132,895 for operating purposes. The Library's agreement to serve Bangor Township residents provides additional property tax revenues equivalent to 10% of the millage levied by Van Buren District Library on Bangor Township property (approximately \$3,000).

E. Cash and Investments

State statutes authorize the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that maintain an office or branch in Michigan; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of

Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service at time of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library Board approved a revised investment policy on October 12, 1999 that allows deposit accounts, savings accounts and certificates of deposit.

The Library's deposits and investments are in accordance with statutory authority and the Library's investment policy, and currently consist only of bank deposits. Of the \$221,908 in bank deposits, \$110,562 is covered by FDIC insurance and \$111,346 is uninsured. Cash on the financial statements totals \$220,344 and is made up of the deposits (\$220,294) and petty cash (\$50).

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$111,346 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized, thus subject to custodial credit risk.

F. Budgets and Budgetary Accounting

The budget for the General Fund was adopted on the cash basis of accounting and was amended by Board resolution twice during the year.

G. Risk Management

The Hartford Public Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. To minimize these risks the Library has entered into a cooperative risk management and insurance program called the Michigan Township Participating Plan. The Plan provides for insurance coverage to be obtained by the Plan to protect all members from loss above stated deductibles. The Library has not incurred any losses which exceeded the insured amounts.

H. Donor Designations

In 2004 and 2005, the general fund received grants and donations specifically for summer reading programs. All restricted funds were used for the programs designated in the year of donation.

I. Land Purchase and Sale

On November 14, 2002, the Library purchased two parcels of vacant land. The 2003 balance due on the land contract was \$17,068 at 8%, payable over five years. The total balance was paid in September 2004, when the Library sold the property to the City of Hartford.

J. Long-Term Debt

The change in general long-term debt is as follows:

Balance, December 31, 2003	\$ 17,068
Repaid during year ended December 31, 2004	(17,068)
Balance, December 31, 2004	\$ <u>- 0 -</u>

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January 30, 2006

Hartford Public Library Board
Hartford, Michigan

In completing the audit for Hartford Library, we would like to make some comments and suggestions to improve the accounting procedures.

Current Year Comments

An error was made in calculating the bi-weekly salary amount of an employee resulting in a \$990 overpayment compared to the approved salary on a cash basis. Depending on the way the pay dates and the yearly calendar coincide, there is sometimes a year with 27 pays instead of 26.

The rates of interest income earned on the Library's savings appear to be low. It might be beneficial to check other institutions for better rates.

Repeat of Prior Year's Comments

The revised credit card policy from July, 2005 does not meet all of the required elements per the Local Audit and Finance Division of the State of Michigan. Letter 1996-2 (Credit Cards) requires the local unit to adopt by resolution, a written policy that provides all of the listed criteria. The current policy is missing approval of credit card invoices prior to payment, a system of internal controls to monitor credit card use and disciplinary measures consistent with law for unauthorized use. It also doesn't refer to the 5% of budget limitation for authorized credit limit.

Internal control procedures are a concern due to limited staffing in all small organizations. Segregation of duties are inadequate for effective checks and balances.

The above comments are to improve your accounting procedures and are not intended to reflect upon the performance of any person.

Cutting & Cutting, P.C.